

June 4, 2003

The Honorable Richard Cheney President of the Senate Washington, DC 20510

The Honorable Dennis Hastert Speaker of the House of Representatives The Capitol Washington, DC 20515

Dear Mr. Vice President and Mr. Speaker:

Enclosed is the Inspector General's Semi-Annual Report to the Congress along with the Corporation's Report on Final Action, as required under Section 5 of the Inspector General Act.

These reports cover the six-month period from October 1, 2002 through March 31, 2003. During this period, the Corporation made management decisions on eight audits and completed final action on or closed seven audits. Subsequent to this period, the Corporation made a management decision on one additional audit.

We are sending copies of this semi-annual report to interested Congressional committees, the Office of Management and Budget, and the Corporation's Board of Directors. We will also make copies available to others on request.

If you have any questions concerning these reports, please contact me the Corporation's Inspector General J. Russell George.

Sincerely,

Leslie Lenkowsky

Chief Executive Officer









TABLE I

ACTION TAKEN ON AUDIT REPORTS (for the Period September 30, 2001 through March 31, 2002)

		Number of Reports	Disallowed Costs (\$000)
A.	Audit reports with final action not taken by the commencement of the reporting period.	22	
В.	Audit reports issued by the OIG during the period	9	
C.	Audit reports for which final action was taken during the reporting period		
	 Recoveries (a) Collections and offsets (b) Property in lieu of cash (c) Other (reduction of questioned costs) 	5	521
	2. Write-offs	0	
	3. Audits with no disallowed costs	2	
D.	Audit reports for which final action was not taken by the end of the reporting period. ¹	24	
E.	Audit reports for which management decisions were made during or prior to the six-month reporting period and for which final action is underway.	5	

¹ This includes 13 audits for which final action is not due.

TABLE II AUDITS WITH RECOMMENDATIONS TO PUT FUNDS TO BETTER USE (for the period October 1, 2002 through March 31, 2003)

		Number of Audit Reports	Dollar value (\$000s)
A.	Audit reports with management decisions on which final action had not been taken at the beginning of the period.	2	1607
B.	Audits which were issued during the period	0	
C.	Total audit reports on which management decisions were made during the period.	1	42
D.	Audit reports pending action during the period	2	
E.	Audit reports for which final action was taken during the period		
	1. Value of recommendations that were completed	1	42
	2. Value of recommendations that management concluded should not or could not be implemented or completed	0	0
	3. Total of 1 and 2	1	42
F.	Audit reports for which no management decisions were made during the reporting period	1	1,545

TABLE III

STATUS OF AUDIT REPORTS WITH MANAGEMENT DECISIONS THAT HAD NO FINAL ACTION WITHIN ONE YEAR OF THE ISSUANCE OF THE REPORT (As of March 31, 2003)

Audit <u>Number</u>	Date <u>Issued</u>	<u>Title</u>	Disallowed <u>Costs</u>	Status of Action/Reason No Final <u>Action Was Taken</u>
99-09	5/6/99	Audit of Corporation Contracts with Biopherics, Inc	\$739,458	The Corporation must complete incurred cost audits to verify the labor hours worked by labor category, other direct costs, and indirect costs/rates for fiscal years 1995 – 1998. The resolution on this audit was temporarily on hold due to the military active duty status of the employee responsible for the audit. The new estimated completion date is July 2003.
00-21	1/6/00	Audit of the Corporation's Contract with Outsourced Administrative Systems	\$4,678,223	The Corporation needs to perform incurred cost audit for fiscal years 1994- 1998 to resolve \$2,209,436 of questioned labor, indirect costs, and other direct costs paid to OASYS under the administrative portion of the contract. We also need to resolve \$2,468,787 (net) of questioned medical costs paid by OASYS to third party providers. The resolution on this audit was temporarily on hold due to the military active duty status of the employee responsible for the audit. The new estimated completion date is September 2003.
00-24	8/8/00	Pre-Audit Survey Report of the Alaska State Community Service Commission	TBD	The Corporation completed corrective action on the audit subsequent to March 2003.
01-31	7/9/01	Report on the Review of the CNCS National Direct Grant Application Review Process	N/A	The Corporation Board of Directors reviewed the grant award process and made recommendations regarding the Corporation policies and procedures at its May 2003 meeting. The Corporation will implement these recommendations over the next 18 months.
02-03	12/27/01	Audit of CNCS Grant Number 97LHEDC001 to American Association of Community Colleges	TBD	The Corporation is currently receiving documentation provided by the association. We expect resolution by August 2003.
02-11	2/21/02	Incurred Cost of Audit of Grants Awarded to the Missouri Community Service Commission	TBD	The Missouri Commission must gather extensive documents from several subgrantees before the Corporation can complete corrective action. Anticipated completion date is June 2003.